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FISCAL IMPACT STATEMENT

LS 6129

BILL NUMBER: SB 67

NOTE PREPARED: Mar 4, 2003

BILL AMENDED: Mar 3, 2003

SUBJECT: Sales Tax Collection and Call Centers.

FIRST AUTHOR: Sen. Jackman

FIRST SPONSOR: Rep. Pelath

BILL STATUS: As Passed - Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill provides that a person is not required to register as a retail merchant or to collect or remit the state Sales or Use Tax in Indiana if the sole contact with Indiana is a contract with a call center in Indiana that provides telephone call services to the person.

The bill provides that property owned or leased by the person and located on the call center's premises is not considered, and does not create, a place of business maintained by the person in Indiana as long as the property is not held for sale or shipment in response to an order received by the call center.

The bill provides that for purposes of Sales and Use Tax collection and remittance, the call center operator is not considered to be an agent of the person.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues: This proposal is not expected to have a direct impact on the state's current Sales Tax revenues, nor will it remove the responsibility of Indiana consumers to pay the Use Tax on items purchased from out-of-state firms. However, the bill could cause the state to forgo potential Sales Tax remittances by the affected contracted call centers and out-of-state firms.

Background Information: Firms with a significant presence in Indiana are required to collect and remit the Sales Tax on taxable purchases made by Indiana residents. Firms located outside of the state are under no legal obligation to collect taxes owed by Indiana residents. Indiana residents who purchase goods from out-

of-state firms are responsible for paying Indiana's Use Tax.

The bill will allow out-of-state firms that do not have an otherwise significant presence in Indiana to establish a contractual relationship with a call center located in Indiana and remain excluded from the state's Sales Tax collection requirements. The proposal will not exempt firms that would otherwise have a significant presence in the state from collecting and remitting the Sales Tax.

Absent this proposal, if a firm located outside of Indiana were to contract with a call center located in Indiana, it is possible that the contractual relationship could lead to a ruling that the firm had a sufficient presence in Indiana to make it subject to the state's Sales Tax collection requirements.

It should be noted that the compliance rate by Indiana consumers is believed to be relatively low for the state's Use Tax on purchases made from out-of-state firms. As a point of reference, in CY 2000 approximately 26,401 out of 2,875,104 Indiana Income Tax filers voluntarily included \$947,331 in Use Taxes owed from purchases made from out-of-state firms.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources: Department of State Revenue.

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